Ontario Oil Gas & Salt Resources Trust

2008
Annual
Report

ONTARIO OIL GAS & SALT
RESOURCES LIBRARY

MONTHLY DRILLING REPORTS
DIGITAL MAPS & DATA
WELL LOCATIONS
WEEKLY NEW LICENCE REPORTS
GEOPHYSICAL LOGS (LAS)
GEOLOGICAL CROS-SSECTIONS
ANNUAL PRODUCTION SUMARIES
DRILLING & CORE SAMPLES

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June 30, 2009

The Honourable Donna H. Cansfield
Minister of Natural Resources
90 Wellesley Street West
6th Floor, Whitney Block, Room 6630
Toronto, ON M7A 1W3

Dear Minister Cansfield,

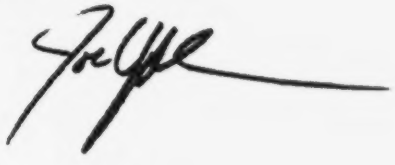
It is my pleasure to submit the 2008 Annual Report of the Ontario Oil, Gas & Salt Resources Corporation. The recently past 2008 fiscal year continued to be an extremely productive year for the Trust. The Trust continued to invest in converting the data that exists in the Oil, Gas & Salt Resources Library to a more modern and accessible digital format. In addition to continuing to operate the Library as a resource centre for the study of Ontario's geological subsurface, our new and expanding portfolio of digital products are assets to attract investment and interest in Ontario's petroleum, natural gas resources, solution mining and hydrocarbon storage industries.

The industry-funded OGSR Library has been and continues working, on a contract basis with the MNR and the Ontario Geological Survey (OGS). These partnerships have allowed the OGSR Library to further its digitization program that to date has completed over 3000 well logs that have been scanned and digitized. This program will allow the OGS to develop further mapping of Ontario's geological subsurface.

The Trust website continues to evolve as a tremendous resource for cost-effectively distributing data and information about Ontario, essentially creating a virtual Library for users to access when and where they want. Furthermore, the staff ensure that requests from our Ontario constituents as well as those from outside of Ontario are promptly fulfilled hoping to do our part to ensure further investment in Ontario's Oil, Gas and Salt Resources.

Our next fiscal will see the development of more digital data products, enhanced outreach to industry and private well owners and a continuously broader geographical coverage of Ontario.

Sincerely,



Joe Van Overberghe
Managing Director
Ontario Oil, Gas & Salt Resources Corporation

Trust Mission and Objectives

The Oil, Gas and Salt Resources Trust is a non-profit organization, established by the Oil, Gas and Salt Resources Act, which funds information management relating to oil, gas and salt resources; and also funds research, surveys, and laboratory facilities and operations relating to oil or gas exploration, drilling or production, the storage of oil, gas and other hydrocarbons in geological formations, and the disposal of oil field fluid in geological formations.

The Trust is funded by, and provides services to, companies and individuals involved in oil and gas exploration, drilling or production; the storage of hydrocarbons in geological formations, the disposal of oil field fluid in geological formations, and solution mining. Services are also available to the general public, universities and other clients on a cost recovery basis.

The Trust manages the Oil, Gas and Salt Resources Library as a resource centre for the study of the subsurface geology and oil, gas, salt, and subsurface storage and fluid disposal resources of all the potential oil, gas and salt-bearing rocks of Ontario.

The Oil, Gas and Salt Resources Trust specializes in the collection, generation, and dissemination of information and knowledge about the subsurface geology and oil, gas, salt solution mining and underground hydrocarbon storage resources of Ontario. It provides its clients in these resource industries with the data they need to conduct their business in the most orderly, safe and efficient way possible, and provides public access to this data at reasonable cost.

The Trust's continuing mandate is to maintain and improve access to existing data, and to develop programs to improve client access to information and to generate new revenue.

ORGANIZATION SUMMARY

The Oil, Gas and Salt Resources Trust was formed by the Ontario Ministry of Natural Resources, pursuant to amendments made to the Oil, Gas and Salt Resources Act in 1997. A Trust Agreement, dated February 16, 1998, was signed with the original Trustee, the Ontario Oil Gas & Salt Resources Corporation and responsibilities for operation of the Library were transferred to the Trustee. The Ontario Petroleum Institute (OPI) is the sole shareholder in the Ontario Oil Gas & Salt Resources Corporation. The Executive of OPI constitutes the Executive of the Trust. The Executive Director of OPI also acts as the Managing Director of the Trust.

Requirements for a Trust Advisory Committee (TAC) exist within the Act and the Trust Agreement. The TAC is a person member committee comprised of four representatives from the oil and natural gas exploration and production industry, and one representative from each of the natural gas storage, hydrocarbon cavern storage, and salt solution mining industry. Committee members are appointed by the Trustee to a two-year term. The TAC meets on a quarterly basis to advise the Trustee on the setting of operating budgets and directing policy with respect to expenditures.

The OGSR Library can trace its origin to the late 1800's, when the Geological Survey of Canada solicited voluntary submissions of drill cuttings and core from oil and gas wells drilled in Ontario and other parts of the country. This informal collection evolved into the establishment of a core and drill cuttings sample processing, storage and study facility in Ottawa. In 1950, a similar facility was established in Calgary and all Western Canada drill cuttings samples were transferred to Calgary. In 1971, the Ontario cores and drill cuttings samples were shipped to the new Petroleum Resource Laboratory in London, Ontario. The lab was owned and operated by the Ontario Ministry of Natural Resources. In 1987, the collection was moved to its current location in a new 600m^2 building located near Highway 401. In 2007 the facility underwent an expansion of approximately 200m^2, providing capacity for an estimated 30 years of continued collection of drill core and samples.

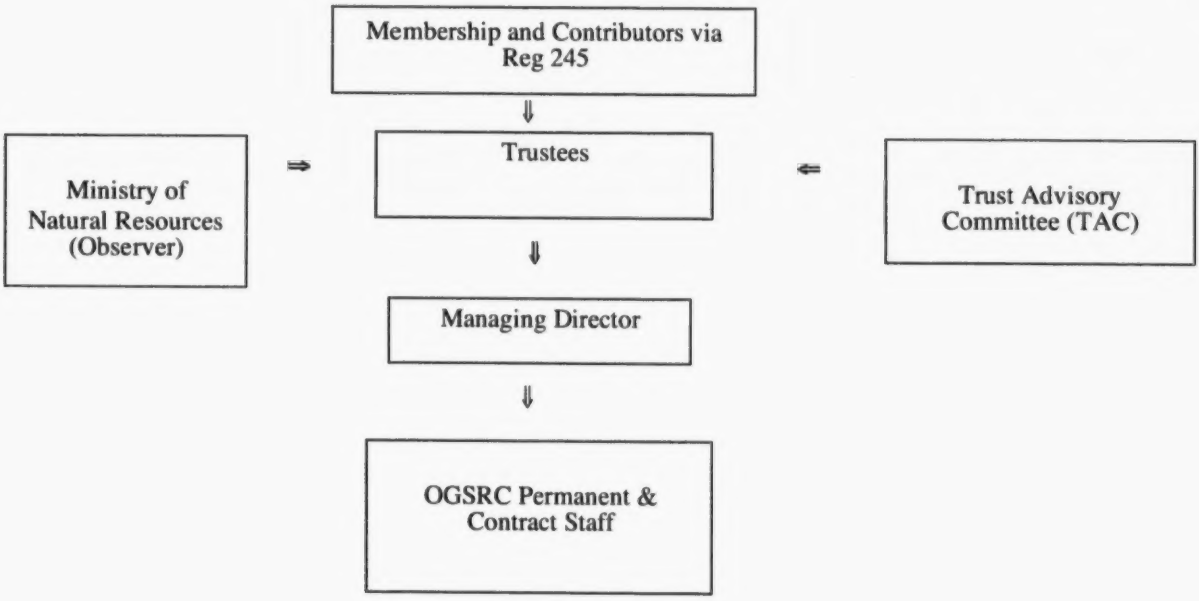
The Library is currently staffed with a full time Administrator and an Operations Technician. In addition, contract and part time employees are busy verifying and updating Ontario's digital data records.

Oil, Gas & Salt Resources Corporation

The OOGSRC is a body led by a partnership representative of all stakeholders in a defined area of economic activity whose mandate includes:

- Oil exploration and production
- Natural gas exploration and production
- Salt solution mining and production
- Natural gas storage
- Cavern storage of hydrocarbon products

The structure of the OGSRC is as follows:



Trust Advisory Committee

1. PRODUCER: Duncan Hamilton, Greentree Gas and Oil:

Greentree Gas & Oil Ltd. is an Ontario-based junior oil and gas exploration and production company. The Company focuses on its core areas in southwestern Ontario, where it continues to explore and develop long-life reserves of natural gas and light oil.

2. LAND: Dale Norman, Elexco Ltd

The Elexco Group of Companies consists of several organizations working together to provide unique Land Consulting and Land Administrative needs to our extensive clientele in North America. A large, well qualified staff has been in place since 1976, and provides a seamless transition from one project phase to another, offering a continuity appreciated by both client and landowner.

3. SALT: Bill Cocchio, Windsor Salt

The Company is engaged in the recovery, processing and sale of salt, and provides over 200 evaporated and rock salt products under its well-known Windsor and Safe-T-Salt brand names. Products made from evaporated salt (salt recovered from brine) are used in household and food products, as well as for agricultural, water softening and industrial purposes.

4. GEOLOGICAL CONSULTING: Neil Hoey

Neil Hoey is an industry consultant working with independent oil and gas exploration and production companies in Ontario

5. STORAGE: Peter Johnston, Union Gas

Union Gas also provides natural gas storage and transportation services for other utilities and energy market participants in Ontario, Quebec and the United States. Union Gas' storage and transmission system forms an important link in the movement of natural gas from Western Canadian and U.S. supply basins to central Canadian and Northeast U.S. markets.

6. PRODUCER: Ron Stinson, Talisman Energy Inc.

Talisman Energy Inc. is an independent upstream oil and gas company headquartered in Calgary, Alberta, Canada. Talisman has operations in Canada and its subsidiaries operate in the UK, Norway, Southeast Asia, North Africa and the United States. Talisman's subsidiaries are also active in a number of other international areas.

7. CAVERN STORAGE: Neil MacDougall, Lanxess Inc.

LANXESS is a specialty chemicals group with world-leading market positions at the core of the chemical industry. Lanxess offers customers the latest know-how, reliable service and a big selection of premium products – in the areas of high-tech plastics, rubber and chemicals.

8. INDUSTRY: Joe Van Overberghe, Ontario Petroleum Institute Inc. (O.P.I.)

O.P.I. is a non-profit industry association which represents explorationists, producers, contractors, geologists, petroleum engineers and other professionals, individuals or companies directly related to the oil and gas, hydrocarbon storage and solution mining industries of Ontario. Fundamental objectives of the Institute are: to encourage responsible exploration and development of the oil, gas, hydrocarbon storage and solution-mining industries in Ontario; to maintain close liaison with government agencies which regulate the industry; to disseminate information relevant to member needs; to promote the legislative goals of the membership and to inform and educate the general public on the significance of the industry to the province of Ontario.

9. GOVERNMENT: Terry Carter, Ministry of Natural Resources

The Petroleum Resources Centre (PRC) of the Ministry of Natural Resources provides governance over Ontario's oil, gas, salt and underground storage industries including policy development and field delivery of licensing, inspection, enforcement and Crown land tenure programs. The PRC collects and manages well and production data, subsurface geological information and houses a drill sample and core library which is operated in partnership with Ontario's oil, gas, salt and underground storage industries.

CORPORATION DATA

Resources

The Oil, Gas and Salt Resources Library houses resources and data available for study including drill cuttings samples from over 13,100 wells; cores from over 1,000 wells; file information on over 27,000 wells, including geophysical logs, formations tops, well history and construction, oil/gas/water zones, initial completion results, core analyses, oil/gas/water analyses; an extensive collection of reference books, periodicals and reprints on the subsurface geology and oil, gas, salt and subsurface storage resources of Ontario.

Digitizing of geophysical well logs: completion of the second contract from OGS yielded 2,100 new digital logs in LAS format, in addition to 1,000 already completed and 3,600 scanned images of logs. 600 Sonic logs remain to be digitized as a potential project.

OPDS data entry project: complete with a total count of 27,000 wells on record, stand by for 2nd phase "Data Integrity."

A completely new project is the Oil & Gas Production Module: all 65,000 annual production reports scanned, Operator name and year registration complete between 1992 and 2007, 20% of wells registered with a licence number between 1992 and 2007. Current project under contract from MNR requires complete well production history between 1992 and 2007.

Services

The Library currently is used to research data files relating to wells drilled in Ontario (i.e., well cards, production information, plugging information, etc); to study core and drill cutting samples for wells drilled in Ontario; to view maps of well locations; and to view open file reports on the industry. Clients can view materials in the Library, and if relevant, take copies of the data files for viewing outside of the Library. An ArcGIS workstation is available for client use and is equipped with MNR's proprietary PetroGIS software for performing spatial queries on the digital petroleum well database and with Surfer 8 © digital gridding and contouring software for subsurface geological mapping. The Library also provides a drill cutting sample preparation service, and a core cutting service.

The Library also runs a dynamic website (www.ogsrlibrary.com) which contains summaries of reference materials in the Library, and a growing list of regularly updated reports (i.e., drilling activity reports, new well licences). This information includes 3600 scanned geophysical well logs.

Basic digital petroleum well data for all counties has been posted to the Library website for complimentary downloading (basic well location and historical data). A set of enhanced and value-added subsurface data for all counties is now available for purchase. As welldata is verified, the website is continually updated, and the digital data products for sale are updated. In addition, Library staff is now capable of accessing this digital data and plotting sophisticated maps which combine different data types including well locations, bedrock geology, bedrock topography, oil and gas pools, digital elevation model for Ontario, etc and incorporating the results of data queries and filters.

MARKETING STRATEGY

The Trust focuses on three geographical markets: Ontario, Alberta, and the mid-western and northeastern USA. The target client is usually the operator of oil, gas, solution mining, natural gas storage, oil field fluid disposal or petroleum product storage wells in the province of Ontario, or a consultant providing services to these operators. Outside of Ontario the target clients are resource exploration companies considering new locations for investment or activity. Principal focus will continue to be providing information services to the oil, gas, salt, and hydrocarbon storage resources industries, both to operators, service providers and consultants.

The OGSRL continues to target Ontario's environmental issues. It is believed that with the many changes in water protection legislation, in particular the Clean Water Act; there is a market within this industry for the ground water data available at the OGSRL. Environmental geoscientists in the Association of Professional Geoscientists are also potential clients for the Library's data services. Further the OGSRL will be able to support the initiatives under the Brownfield Legislation regarding location history for all projects.

Other marketing opportunities include the OPI " Ontario Oil and Gas" magazine that was released in mid 2008 at the Calgary World Oil Expo. The magazine had a distribution of 12500 copies beyond the core Ontario market.

A second opportunity will be the Industry economic report that is being updated for 2009. It will for the first time include the cavern storage and solution mining industries. This project is being completed in partnership with the Ontario Petroleum Institute.

Continued concern for CO_2, may also play a role in the marketing strategy, as there is potential for carbon dioxide sequestration opportunities in Ontario. We will be targeting federal and provincial opportunities as they avail themselves. We will be working with industry on this issue as well in search of support for these opportunities.

The Oil Gas Salt Resources Corporation will be attending the following regional conferences and events in Fiscal 2009 along with the Ontario Petroleum Institute (OPI).

- The OPI Conference : Location Sarnia, ON
- American Association of Petroleum Geologists - Eastern Section: Location: Evansville, Indiana
- The Michigan Oil and Gas Conference: Traverse City, MI
- Further there may be opportunities to meet directly with companies throughout Canada and the mid-west.
- The OGSRL staff will also be making themselves available to all organizations to ensure companies are making efficient use of the large amounts of data coming available

Pricing Strategy

The Trust has three main sources of revenue; well licence fees based on oil/gas production and/or well type, drill sample processing fees, and client service fees and publication sales. Well licence fees are collected by the MNR under the requirements of the Oil, Gas and Salt Resources Act and O.Reg. 245/97 and are due by Feb.15 of each year. Sample processing fees are required to be submitted to the Library by well operators when drill samples are delivered to the Library. Well licence fees are mandated by O.Reg. 245/97 and sample processing fees are mandated by the Provincial Operating Standards. Rates are set by the MNR in consultation with industry and the Trust Advisory Committee. These fees provide the stable funding needed to ensure the long-term success of the Trust.

Fees identified in the Oil, Gas and Salt Resources Act may be reviewed by the Trust Advisory Committee who can make recommendations to MNR for any changes. Client service fees are set by the Trust Advisory Committee and are reviewed on an annual basis.

User service fees are priced to promote access to information and knowledge by a wide cross-section of clients and to increase the overall client base. Publications and programs initiated by the Trust will be priced to recover all printing, distribution, and preparation costs.

As more and more digital products come on-line, pricing recommendations are based on a cost-plus approach to eventually recover all costs, as well as competitive pricing reviews.

Promotion Strategy

The Library will continue to focus its efforts on collecting and preparing information for publication in 2009. The Library will promote its services in two key areas:

1) building general awareness of the Library's resources and mandate among current users and lapsed users within the target groups; and

2) targeting all potential user groups, including those in Source Water Protection and Brownfield about the Library's digital publishing progress and the interim steps the Library is taking to organize and publish its data.

The objective is to ensure all potential users view the Library as the best one-stop vendor for all Ontario data and information.

Distribution Strategy

Clients obtain data and information principally by personal visits to the Oil, Gas and Salt Resources Library, and by telephone inquiry. Telephone inquiries are usually followed up by mailing or faxing of file information, maps or publications and invoicing for service fees.

As more and more information is available in digital form, the increased Internet use, as a distribution method, becomes more important. Digital files are mailed on CD, e-mailed over the Internet, or more commonly downloaded from the Library's website. Content on the Library website continues to grow, and will remain a priority for publishing new information, for marketing new information, and for presenting existing information in more accessible formats.

Strategic Alliances

The Trust will continue to have close working and business relationships with the Petroleum Resources Centre of the Ontario Ministry of Natural Resources, and the Ontario Petroleum Institute. OPI will continue to provide strategic and marketing advice and avenues. The Library participates in all OPI functions at discounted rates and continues to develop a strong partnership with the Ministry of Northern Development and Mines, through its contacts at the Ontario Geological Survey. We will also take advantage of strategic alliances with Geological Survey of Canada as we have in the past with projects like the Targeted Geosciences Initiative of 2004-06

FINANCIAL OBJECTIVES

The Trust's financial objective continues to be to build a reserve fund equal to one year of expenditures. After that time fees and services will be reviewed and revised. This reserve will serve as a contingency against fluctuations in well licence fee revenue caused by hydrocarbon production declines or unforeseen expenditures.

In 2008, there was progress towards meeting this financial objective due to a projected surplus but the objective was still not met. The OGSRT was originally projected to have a small loss for the 2008 fiscal year, but has a small surplus as a result of fee revenue from joint projects funded by both MNR and OGS. The Trust is expected to break even in 2009. Projected completion of the well data digitization program will reduce costs, but this will be offset by a long-term trend of decreasing revenue from sample processing fees and well licence fees due to decreasing oil and gas production and the drilling of fewer wells, and expected increases in rental payments to the Ontario Realty Corporation.

User fees and data/publication sales initially contributed only 10% of the operating revenue of the Trust. The Trust's goal of increasing these fees to 20% of revenues continues to be exceeded.

The fiscal year of the Trust begins January 1st of each year and ends on December 31st. All licence fees are to be paid by February 15th, representing the previous year's production. The Trust extends credit to Members only; all others pay with cash, cheque, MasterCard or VISA.

ONGOING INITIATIVES

Well logging and digitization

This project was completed in 2006. The project results are hoped to be used in the marketing of the Ontario industry in upcoming magazines.

Seismic Shot Lines

No progress was made on this proposed initiative in 2008 due to other commitments. When resources permit staff will be working on a plan to capture historical shot lines to prepare a map of seismic shot lines for the province. However we are now hopeful that we will be able to recover some historic lines over the next fiscal year

Log Digitizing

- Federal government funding provided to the Library through the Targeted Geoscience Initiative provided budget for hardware/software to scan and digitize hard-copy geophysical well logs, plus some funding for personnel to acquire select project logs
- Staff have been trained on digital acquisition, and can digitize logs upon client request
- Require review of current digital data pricing
- On-going request to ensure that digital log submissions are part of the next Operating Standards update.
- To date 3600 geophysical well logs have been scanned and catalogued as TIFF files and 3000 well logs have been digitized as LAS files.

Digital Data Publishing

The Trust will continue to work in partnership with the MNR to build, maintain and market a digital database of geological and engineering information on wells drilled in Ontario. The Trust will be the data vendor for information on Ontario oil, gas, salt and storage resources, based on the Data Resale Agreement with MNR.

i) Current Activity

- MNR has an operational database of all licenced wells in Ontario within the Ontario Petroleum Data System (OPDS). All new wells and well information, with the exception of production information, are entered into OPDS. The Library, in conjunction with MNR, has populated the database with old well information and files.
- On a county-by-county basis, the Library has been harmonizing the data between MNR's source well files and the Library's public access files, and at the same time verifying data in OPDS. Once a county has been reviewed, staff have been checking and realigning well location data. In late 2008 as we did in 2007 the Ministry of Natural Resources entered into a service contract with the Library to accelerate the slow pace of data editing. This has allowed the Library to hire and train a new data editing staff member with completion of primary data editing in late 2008.
- Sale of value-added subsurface data from OPDS by the Library began in 2003 and will continue through 2009. Data consist of geological formation tops, logging records, and oil/gas/water interval records.
- A data sharing agreement has been signed between the MNR Information Access Section and the Ontario Oil Gas and Salt Resources Corporation. The agreement allows Corporate Members of the Oil, Gas and Salt Resources Library to use MNR Digital Base Maps.

ii) Future Activity

- Well production history is one of the most sought after items by our users. It is the Libraries goal to move forward on this project to produce a digital dataset on well production history. This project will be intensive, as it will bring to life many thousands of forms in a digital format.
- Data verification and updating of well location and subsurface data will be on-going in 2009. Quality assurance testing of the edited data set will continue to identify and correct remaining errors.
- New GIS layers are being added to the NRVIS digital base maps by MNR. These layers are spacing orders, designated gas storage areas, unit areas, and historical oil fields.
- Resale data agreements need to be negotiated with local, national or international vendors to market Ontario data
- Further cooperative projects are proposed with the Ontario Geological Survey, which would improve the quality of subsurface geological data in the database.
- Recently Completed:
    - Log digitizing: completion of the second contract from OGS yielded 2,100 new digital logs in LAS format and 3,500 scanned images of logs. 600 Sonic logs remain to be digitized as a potential project.
    - Main data entry project: complete with a total count of 27,000 wells on record, stand by for 2nd phase "Data Integrity"
    - Production Module: all 65,000 production forms scanned, Operator name and year registration complete between 1992 and 2007, 20% of wells registered with a licence number between 1992 and 2007. Current project under contract from MNR requires complete well production history between 1992 and 2007.

iii) Digital Data Distribution Summary

- Free on the Library website (well locations, history, status)
- Research by Library staff on a fee basis, with "well card" printouts and well location mapping
- Ontario Digital Base Maps, available to Corporate Members
- Paid data sets (geological formation tops, logging records, and oil/gas/water intervals, monthly production data)
- Geological GIS capabilities, for subsurface mapping
- Client access in the Library (all non-confidential data)
- Digital log capabilities available to clients upon request

NEW INITIATIVES

As directed by the Trustees, it is important to continue the relationship with both the Canadian and Ontario geological surveys and be aware of any such projects such as the existing TGI project to further enhance the availability and type of data available from the OGSRL. Discussions are underway with the Ontario Geological Survey for participation in updating of the Paleozoic bedrock geology map of southern Ontario. Significant improvements to the map rely heavily on data available only from petroleum well records.

The Trust needs to identify and develop new revenue-generating products to offset the expected continued decline in revenue from petroleum well and drilling activity. Discussions have been initiated with MNR to identify options.

INDUSTRY SUMMARY

Ontario Hydrocarbon and Solution Mining Industry 2007 Economic Survey

Ontario's petroleum and salt solution mining industry includes the following activities:

- Oil exploration and production
- Natural gas exploration and production
- Natural gas underground storage
- Salt solution mining
- Hydrocarbon underground storage associated with the petrochemical refining industry

These activities provide Ontario consumers with the following:

- Storage of natural gas imported to Ontario from sources in Saskatchewan, Alberta and British Columbia by pipeline and held in reserve to supplement times of peak demand. This becomes very important with the switch from coal to natural gas generation of electricity.
- Table salt and industrial salt – Ontario is a net exporter of salt produced from salt solution mining
- Underground storage caverns of product necessary for Ontario's petrochemical refining industry
- A small percentage of Ontario's demand for oil and related products
- A small percentage of Ontario's demand for natural gas

The economic value to Ontario of these activities includes:

- 700 plus people directly employed in exploration, production, storage and salt solution mining in Ontario
- 100 people in Alberta, Michigan, New York and Ohio depend directly on Ontario's petroleum and salt solution mining industry
- Personal total taxable income = $55 million
- Services and goods purchased by the industry = $127 million
- Capital expenditures (in 2007) = $50 million
- Lease payments and royalties paid to land owners = $4 million
- Lease/Land payments to the Crown = $9 million per year
- Municipal Taxes = >$4 million per year
- Industry assets = $650 million
- TOTAL economic value (in 2007) = $900 million

The value of production and storage in Ontario in 2007:

- 107,687 m3 of oil produced = $52.3 million
- 292 million m3 of natural gas = $82.3 million
- 6,900 million m3 of natural gas storage capacity = $2 billion in value
- 3.5 million m3 of hydrocarbon storage capacity = ± $2 billion in value
- Solution Salt Value – no data available

Overall annual value of this industry to Ontario is about $5 billion.

2008 Industry Activity

A total of 57 licences to drill and operate new wells were issued by the Ministry of Natural Resources in 2008, compared to 91 in 2007. An additional 89 licences were issued for plugging of existing wells. One existing well was licensed for oil production from an historical oil field, and 5 existing wells were licensed for production as private gas wells.

Drilling of 54 new wells was reported in 2008, compared to 77 wells in 2007. These consisted of 9 exploratory wells, 19 development wells, 25 service wells, and one brine production well. The 25 service wells included 16 natural gas storage wells, 1 brine disposal, and 8 stratigraphic tests. One horizontal well was drilled during the year.

Exploratory drilling in 2008 resulted in 3 wells reported as gas producers (one active, two capped), one potential oil well, one reported oil and gas show, and two suspended oil shows (Table 1; Figure 1), with two additional wells plugged and abandoned. Successful development drilling was consistent with 2007 results, with 4 wells reported to be active oil producers, 3 as active gas producers, 4 as potential gas wells, one as a gas show, one capped oil well, one active oil and gas well, 2 active private gas wells, and one capped private gas well. This compares with 3 wells reported to be oil producers, 12 as gas producers, and 3 as private gas wells in 2007. Successful oil wells were completed in Silurian and Devonian carbonate reservoirs in Elgin, Huron, Kent, and Lambton counties, with gas completions occurring in Silurian sandstone and carbonate reservoirs in Elgin, Haldimand, Huron, Lincoln, Norfolk, and Welland counties. No wells were drilled offshore Lake Erie in 2007.

The number of successful exploration wells drilled in Ontario was up from 5 in 2007 to 7 in 2008, but down from 14 drilled in 2006, mainly due to an absence of activity on Lake Erie. No single exploration company was seen to be most active in 2008, as each of the 9 exploration wells were drilled by different operators.

Production figures compiled from annual production reports submitted to the Petroleum Resources Centre indicate annual oil production declined 11% to 95,875 m^3 in 2008 with an estimated value of $62.8 million, compared to 107,687 m^3 valued at $52.3 million the previous year. Natural gas production declined 9% to 265,172 10^3 m^3 with an estimated value of $95.3 million, compared to 292,731 10^3 m^3 valued at $82.3 million in 2007. The decline in oil and gas production is directly related to reduced levels of drilling activity since 2004, such that there is insufficient new production to replace that from existing wells. The value of production increased from 2007 to 2008 as a result of the high commodity prices that prevailed during most of the year.

Notes about financial issues:

Please read all financial notes.

Questions Related to the OGSRL:

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Grant Thornton

Financial Statements

Oil, Gas and Salt Resources Trust

December 31, 2008

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Grant Thornton

Auditors' Report

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To the Trustee of
Oil, Gas and Salt Resources Trust

We have audited the balance sheet of the Oil, Gas and Salt Resources Trust as at December 31, 2008 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the organization, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Oil, Gas and Salt Resources Trust as at December 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

London, Ontario
April 13, 2009

Chartered accountants
Licensed Public Accounts

Oil, Gas and Salt Resources Trust
Statement of Earnings

Years Ended December 31	2008	2007
Revenue		
Well licence fees	$ 130,520	$ 137,594
Sample processing fees	28,209	23,594
Ministry of Natural Resources – Emergency Response Program	29,000	45,000
Ontario Geological Survey	65,300	29,700
Labour and clerical	5,332	14,188
Memberships	33,510	27,205
Lab user fees	402	868
Publications and data	15,842	20,071
Interest and foreign exchange	7,607	6,822
	315,722	305,042
Expenses		
Wages and employee benefits	99,922	75,727
Contract and co-op wages	75,572	75,724
Processing supplies	5,119	6,112
Waste and janitorial	5,666	4,493
Sundry	11,991	9,374
Trust management fee	7,500	7,500
Trust services fee	7,500	7,500
Professional fees	7,253	5,275
Office expenses	7,611	7,510
Postage and telephone	3,640	3,625
Publication expense	-	1,016
Insurance	3,572	3,727
Travel	3,102	273
Rent	45,250	53,142
Bad debt expense	2,912	-
Amortization	3,908	2,726
	290,518	263,724
Earnings before allocation	25,204	41,318
Allocation to the Province of Ontario	(25,204)	(41,318)
Net earnings	$ -	$ -

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Statement of Retained Earnings

Years Ended December 31	2008	2007
Retained earnings, beginning of year	$ -	$ -
Net earnings (Page 2)	-	-
Retained earnings, end of year	$ -	$ -

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Balance Sheet

As At December 31

	2008	2007
Assets		
Current Assets		
Cash	$ 39,540	$ 35,855
Investments held for trading	148,270	149,862
Accounts receivable	161,825	169,294
Inventory of supplies	5,333	7,977
Prepaid expenses	12,274	5,826
	367,242	368,814
Capital Assets (Note 5)	14,244	8,382
	$ 381,486	$ 377,196
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 8,014	$ 13,618
Unearned revenue	11,936	27,246
Payable to the Province of Ontario	361,536	336,332
Total liabilities	381,486	377,196
Equity		
Retained Earnings (Page 3)	-	-
	$ 381,486	$ 377,196

Commitments (Note 6)

On behalf of the Trustee

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Statement of Cash Flows

Years Ended December 31	2008	2007
Increase (decrease) in cash		
Operating activities		
Cash received from customers	$ 297,362	$ 294,512
Cash payments to suppliers for goods and services	(116,995)	(116,544)
Cash payments to employees	(176,111)	(150,903)
Interest received	7,607	6,822
	11,863	33,887
Investing activities		
Purchase of capital assets	(9,770)	(2,084)
Purchase of investments held for trading	(730,000)	(252,507)
Proceeds on the redemption of investments held for trading	731,592	236,579
	(8,178)	(18,012)
Change in cash	3,685	15,875
Cash, beginning of year	35,855	19,980
Cash, end of year	$ 39,540	$ 35,855

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Notes to the Financial Statements
December 31, 2008

1. Nature of operations

Pursuant to the Oil, Gas and Salt Resources Act, R.S.O 1990, the Trust was formed by the Ontario Ministry of Natural Resources. A trust agreement, dated February 16, 1998, was signed with the original trustee, the Ontario Oil, Gas and Salt Resources Corporation. The purpose of the Trust is to provide for the funding of research, surveys and laboratory facilities relating to the oil and gas industry. Pursuant to the trust agreement, the net assets of the Trust accrue to the benefit of the Province of Ontario. The monetary value of this entitlement is reflected within current liabilities as "Payable to the Province of Ontario."

2. Summary of significant accounting policies

(a) Revenue recognition

Fees and other revenue received in advance are deferred and recognized as income at the time the related expenditures are incurred. Members' fees as set by the Board of Directors are recognized as revenue on a straight line basis over the term of the membership. Well licensing fees are recognized as revenue on a fiscal year basis. Investment revenue is recognized within the month in which it is earned.

(b) Cash

Cash includes cash on hand, balances with banks, net of outstanding cheques.

(c) Investments held for trading

Financial instruments designated as investments held for trading consist of cashable guaranteed investment certificates with Canadian banks and are carried at market value. The weighted average interest rate of the guaranteed investment certificates is 3.04% (4.00% as at December 31, 2007). Investments held for trading are measured at fair value at each reporting date and any unrealized gains or losses are recognized in net earnings for the period in which they arise.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs and administrative overheads that do not contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred.

(e) Amortization

It is the Trust's policy to provide for amortization of capital assets on the following basis:

Furniture and fixtures	20% declining balance
Computer hardware	3 years, straight-line
Computer software	100%

2. Summary of significant accounting policies (continued)

(f) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate. Revenues and expenses are recorded at average rates of exchange. Translation gains and losses are included in earnings

(g) Use of estimates

In preparing the Trust's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Financial instruments

(a) Fair value of financial instruments

The Trust has classified their financial instruments as follows:

1. cash as held for trading (measured at fair value through the statement of earnings)
2. receivables as loans and receivables (measured at amortized cost using the effective interest method)
3. investments as held for trading (measured at fair value through the statement of earnings)
4. payables and accruals and long-term debt as other financial liabilities (measured at amortized cost using the effective interest method)

Fair values are based on quoted market values where available from active markets.

(b) Financial risk

The Trust is exposed to financial risk with respect to foreign exchange rates and the degree of volatility of these rates. The Trust does not use derivative instruments to reduce its exposure to foreign currency risk.

(c) Credit risk

The Trust is exposed to credit risk with respect to its accounts receivable. However, this is minimized by the Trust's customer base, which covers different consumer and business sectors. The Trust maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

4. Related party transactions

During the year the Trust participated in the following related party transactions, with its trustee:

- Trust service fees were paid in the year totalling $7,500 ($7,500 in 2007); and
- Trust management fees were paid in the year totalling $7,500 ($7,500 in 2007).

These transactions were in the normal course of operations and are measured at the exchange value as agreed upon by the related parties.

5. Capital assets

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Furniture and fixtures	$ 32,534	$ 27,059	$ 5,475	$ 5,741
Computer hardware and software	32,666	23,897	8,769	2,641
	$ 65,200	$ 50,956	$ 14,244	$ 8,382

6. Commitments

The Trust leases office equipment and premises under operating leases, which will expire on varying dates in 2011. The minimum annual payments due under these leases are as follows:

2009	$ 60,604
2010	60,604
2011	15,439
	$ 136,647

7. Ministry of Natural Resources – Emergency Response Program

In 2008, the Trust entered into a contract with the Ministry of Natural Resources for the Province of Ontario to verify, update and edit digital petroleum well records in the Ontario Petroleum Data System. Fees are prorated over the term of the contract. The total fee is not to exceed $20,000. As of December 31, 2008 this project was 95% completed. Also earned in the year was $10,000 relating to the project contract for the 2007/2008 project period.

8. Comparative figures

Certain of the 2007 comparative figures on the statement of earnings have been reclassified to conform to the financial statement presentation adopted for 2008. These reclassifications have no material effect on the financial statements.

Grant Thornton

Financial Statements
(Unaudited)

Ontario Oil, Gas and Salt Resources Corporation

December 31, 2008

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Grant Thornton

Notice To Reader

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To the Shareholder of
Ontario Oil, Gas and Salt Resources Corporation

On the basis of information provided by management, we have compiled the balance sheet of Ontario Oil, Gas and Salt Resources Corporation as at December 31, 2008 and the statement of earnings and retained earnings for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Grant Thornton LLP

London, Ontario
March 13, 2009

Chartered accountants
Licensed Public Accountants

Ontario Oil, Gas and Salt Resources Corporation
Statement of Earnings and Retained Earnings

Years Ended December 31	2008	2007
Revenue		
Trustee management fee	$ 7,500	$ 7,500
Trustee service fees	10,546	10,412
	18,046	17,912
Expenses		
Management fees – Ontario Petroleum Institute Inc.	7,500	7,500
Insurance – directors and officers	3,046	2,912
Administration	7,500	7,500
	18,046	17,912
Net earnings	$ -	$ -
Retained earnings, beginning of year	$ -	$ -
Net earnings	-	-
Retained earnings, end of year	$ -	$ -

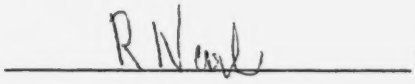
Unaudited
Notice To Reader Appended

Ontario Oil, Gas and Salt Resources Corporation
Balance Sheet

As At December 31	2008	2007
Assets		
Current Asset		
Cash	$ 1	$ 1
Shareholder's Equity		
Share Capital		
Authorized:		
1 Common share		
Issued:		
1 Common share	$ 1	$ 1

On behalf of the Board

Director


Director

Unaudited
Notice To Reader Appended